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EXECUTIVE EDUCATION

Marketing Healthcare Centers & Hospitals
Session 7
Market Segmentation

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Market Segmentation

Market segmentation :

Market Segmentation is the process of grouping into clusters consumers who have similar wants or needs to which an organization can respond by tailoring one or more elements of the marketing mix.

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Market Segmentation

Segmenting a market offers several distinct benefits:

1- It helps the marketer to address the diversity that exists in a population.

2-If done appropriately, segmentation can be used to identify homogenous concentrations of customers to whom programs or services can be marketed.

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Market Segmentation

Segmenting a market offers several distinct benefits:

3- By using segmentation to focus resources to specific groups, *economies of scale can usually be achieved.

*cost per unit of production decreases as volume of product increases.

4- Ideally, customer retention is increased when a particular service, program, or strategy is more closely tailored to the customer.

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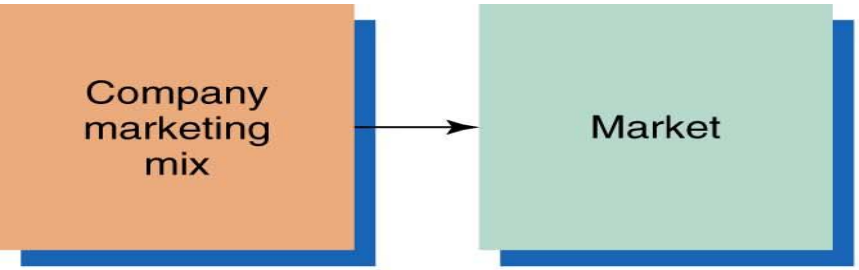
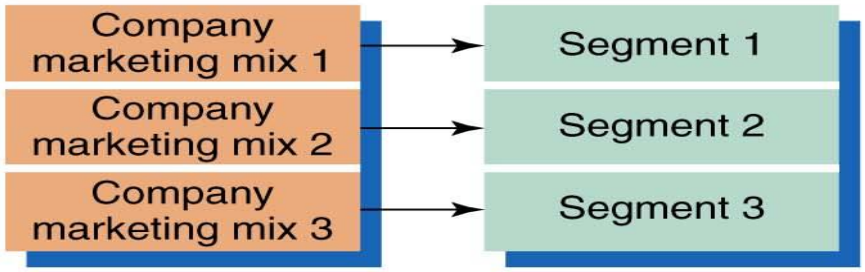
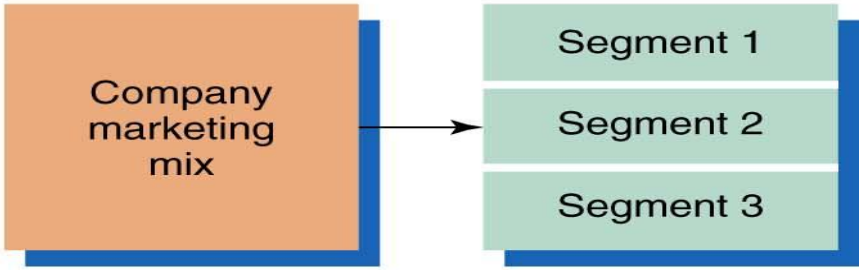
Market Segmentation Strategy



Undifferentiated marketing



Differentiated marketing



Concentrated marketing

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Mass Marketing - Undifferentiated

An org. develops its marketing mix (**the four Ps**) to appeal to the broadest group- the largest number of people possible.

The underlying rational of a mass marketing strategy is that **everyone in the market wants** the same

product- delivered, priced, and promoted the same way.

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Mass Marketing -Undifferentiated

In reality, there are often large differences within a broad consumer market that do affect demand.

People have different shopping patterns or work habits, which, for instance, might necessitate different clinic hours for appointments.

Differing income levels require differential pricing for certain services or products.

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Mass Marketing -Undifferentiated

Advantages

A mass marketing strategy has some distinct advantages.

Foremost is the cost.

A mass marketing strategy for a manufactured product often eliminates retooling costs and can ensure longer production runs.

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Mass Marketing -Undifferentiated

Disadvantages

Mass marketing strategy can be described as bending demand to the will of supply.

Finally, the major limitation to a mass marketing strategy relates to competitive considerations.

It is competition that provides a strong rationale for a market segmentation.

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Differentiated targeting

- L'Oreal follows this strategy
- The company has the resources to offer several product lines at a variety of prices
- It targets the luxury market with such brands as Lancome while less expensive offerings such as Elseve and L'Oreal are targeted to a lower segment

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Differentiated Marketing

(e.g. Toyota & Lexus)

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Differentiated

- Pediatric segment
- Adult segment
- Geriatric segment

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Concentration Strategy

Advantages

-By focusing on just one market segment, a firm is able to **tailor its strategy** in an attempt to solidify its position in the market place.

-For the smaller firm it may allow the business to target a group that **may not be attractive** to a larger competitor.

-Example: Rolls Royce - Rolex - Porsche

ROLEX

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Concentration Strategy

Disadvantages (1)

-The biggest problem with the concentration strategy is what has been referred to as the majority fallacy ??

-When deciding to concentrate, organizations will sometimes focus on the largest segment of the market in the belief that it represents the greatest revenue and profit potential.

-Other competitors may also be attracted to this particular segment for the exact same reasons.

-As a result of its large size and attractiveness to competitors, the largest segment becomes competitively the most intense, and hence the least profitable one to target.

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Concentration Strategy

Disadvantages (2)

An organization that follows a concentration strategy must be able to defend its choice of market segment.

Another limitation to this strategy is that a firm can develop a reputation that identifies it with just one segment of the market, making it difficult to expand its business to serve other segments.

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Niche Strategy

A variation of the concentration strategy is the niche strategy.

A niche strategy targets this narrow segment with specialized products or services.

Health care organizations are increasingly using the niche strategy.

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Niche Strategy

Example: a clinic could be established to target only wealthy clientele, a trend with boutique medicine clinics.

A niche within this group might include just senior members of governments or royalty.

This niche might have highly specialized needs in terms of travel arrangements, dietary requirements, security precautions, and even accommodations.

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Segmentation Variables

Demographic variables

- Age
- Gender
- Race
- Ethnicity
- Income
- Education
- Occupation
- Family size
- Family life cycle
- Religion
- Social class

Geographic variables

- Region
- Urban, suburban, rural
- City size
- County size
- State size
- Market density
- Climate
- Terrain

Psychographic variables

- Personality attributes
- Motives
- Lifestyles

Behavioristic variables

- Volume usage
- End use
- Benefit expectations
- Brand loyalty
- Price sensitivity

Race: refers to a person's physical appearance, such as skin color, eye color, hair color, bone/jaw structure etc.
Ethnicity: on the other hand, relates to cultural factors such as nationality, culture, language and beliefs.

Ways to Segment a Market In Healthcare

Age,

Sex,

Income,

Disease,

Type of reimbursement,

Life Style,

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Patient Segmentation By Age

- Pediatric medicine
- Adult medicine
- Geriatric medicine

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Patient Segmentation By Gender

- Studies found that after the **age of 14** women see physicians **25%** more often than men and women also have a **15%** higher hospitalization rate than men

- Women health programs became a service of growing popularity

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Patient Segmentation By Gender

- Overweight women surgery is an example .
- The average operative age for people is slightly over 39 years old
- Between 1998 and 2001 , 86% of the patients for this service were women

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Ethnic Groups

African Americans ,Hispanic Americans and Asian Americans are the three fast-growing ethnic groups in USA

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Patient Segmentation By Ethnic Groups

- Kaiser Permanente in California is responding to the growing Hispanic market in the states
- In television advertising kaiser highlights that Hispanics can request Spanish-speaking physicians

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Patient Segmentation By Usage Rates

- It is sometimes referred to as 80/20 rule
- 80% of a hospital revenue comes from 20% of its patients
- For example a specialist can examine the referral patterns by primary care referral and will most likely find the existence of this phenomenon

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Requirements For Effective Segmentation

- **Measurable:** size, purchasing power, and profiles of segments can be measured.
- **Accessible:** segments can be effectively reached and served.
- **Substantial:** segments are large or profitable enough to serve.

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